

# Overview of Service Tax Changes

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Michigan Department  
of Treasury

House Tax Policy Committee  
November 1, 2007

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## Tax Changes Passed as Part of Budget Deal

- Income tax rate raised from 3.9% to 4.35%
  - Rate is still 4<sup>th</sup> lowest among states with an income tax
  - Rate starts falling in October 2011 0.1% per year, until rate reaches 3.9% in October 2015
- Add select list of services to the State's sales/use tax
  - Michigan added 27 services to tax a total of 52 services
  - Neighbor states tax more services: Ohio (68), Minnesota (67) and Wisconsin (74)
- Legislative fixes for *Betten Motors*, *Daimler Chrysler*, and FASB 109

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## Revenue Raised

Millions of \$

	FY 2008	FY 2009	FY 2010
<b>Revenue Increases</b>			
Income Tax Rate to 4.35%	\$744.8	\$826.7	\$851.5
6% Tax on Selected Services	\$613.8	\$751.3	\$766.4
<b>Net Revenue Impact</b>	<b>\$1,358.6</b>	<b>\$1,578.0</b>	<b>\$1,617.9</b>

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## Services Added to Tax Base

Service List	FY 2008	FY 2009	FY 2010
Business Service Centers	\$9.5	\$11.8	\$11.9
Carpet/Upholstery	\$5.2	\$6.3	\$6.5
Couriers and Messengers	\$3.1	\$3.8	\$3.8
Document Prep services	\$4.8	\$5.8	\$5.9
Investigation Guard/Armored Car	\$27.0	\$33.0	\$33.7
Investment Advice (No brokerage fees)	\$16.8	\$20.5	\$20.9
Janitorial	\$43.8	\$53.7	\$54.7
Landscaping	\$40.5	\$49.6	\$50.6
Mini-warehouse and self storage	\$3.9	\$4.8	\$4.9
Transit and Ground Passenger (Limo/Cab)	\$10.5	\$12.9	\$13.1
Office Administration	\$79.2	\$96.9	\$98.8
Other Personal Services	\$48.2	\$59.0	\$60.1
Other Travel and Reservation	\$6.7	\$8.2	\$8.3
Personal Care - No Haircuts	\$14.1	\$17.2	\$17.6
Scenic Transportation	\$0.6	\$0.7	\$0.7
Security System Services	\$14.2	\$17.3	\$17.7
Service Contracts	\$23.5	\$28.8	\$29.3
Skiing	\$2.2	\$2.7	\$2.7
Specialized Design (Interior Design)	\$27.8	\$34.0	\$34.6
Tour Operators	\$2.6	\$3.2	\$3.2
Consulting	\$188.2	\$230.3	\$234.9
Packaging and Labeling Services	\$20.8	\$25.5	\$26.0
Warehousing and Storage	\$21.0	\$25.7	\$26.2
	\$613.8	\$751.3	\$766.4

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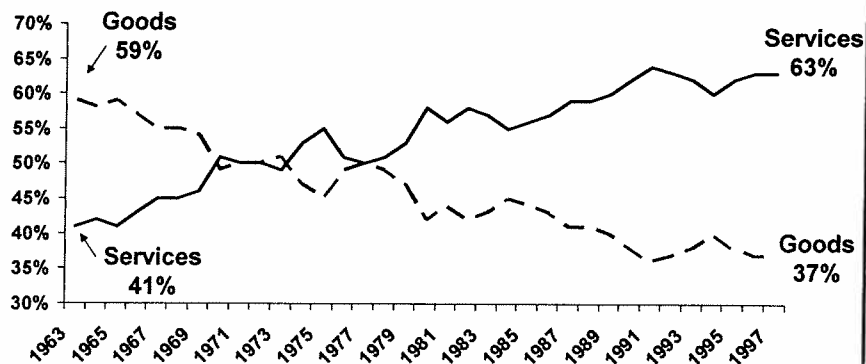
## Why Tax Services?

- The service share of the economy has been increasing and the goods share decreasing
- Improves equity between goods and services
- Many services already taxed by other states

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## Service Share of Economy is Increasing

Share of Private Michigan GSP

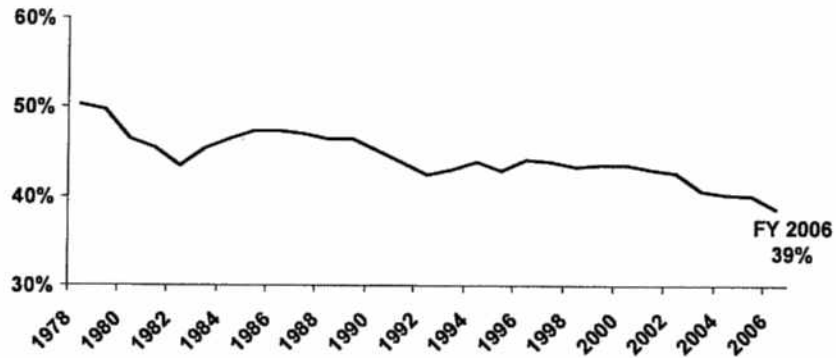


Graph shows goods producing and private service producing shares of Michigan GDP using SIC classifications.

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## Sales Tax Share Declining

Taxable Sales as a Percent of Personal Income



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## State Taxation of Services

Hawaii	160	1
Washington	157	2
New Mexico	156	3
South Dakota	146	4
Delaware	143	5
Wisconsin	74	11
Ohio	68	16
Minnesota	67	17
<b>Michigan (current law)</b>	<b>53</b>	<b>27</b>
Indiana	23	41
Illinois	17	46
U.S. Average	56	

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Source: Federation of Tax Administrators

## Impact of Tax Increase

- The increase in the income tax will cost the typical Michigan family \$180 per year, assuming a family of 4 with median family income of \$57,996
- The increase in the service tax will cost the typical Michigan family \$51 per year

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## Michigan's Tax Burden Similar to Neighboring States After Increases

State	FY 05 Tax as %	
	of Income	U.S. Rank
New York	14.8%	1
Wisconsin	11.8%	8
Ohio	11.6%	12
Indiana	11.2%	17
Minnesota	11.1%	18
<b>Michigan</b>	<b>11.0%</b>	<b>22</b>
U.S. Avg	11.0%	NA
Illinois	10.9%	23
Pennsylvania	10.9%	25

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Source: U.S. Census and Department of Treasury calculations with new tax increases added for Michigan.

## **Tax on Services**

**Operational December 1, 2007**

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- Educate business taxpayers, tax preparers, and internal staff.
- Develop, print and mail new forms and publications.

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## **Website Materials**

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- Use tax overview
- Explanation of services taxed
- Questions and answers( continuously updated)
- Detailed explanation of each service code(coming)
- Index of whether service is taxed( coming )

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## **Other Information Efforts**

- Mailing to 360,000 registered business with form that includes line for service tax along with instructions.
- Identify unregistered taxpayers who may have tax liability.
- Michigan Tax Conference cosponsored with MACPA and State Bar.

## New Services Taxed in Michigan Comparison with Other States

				Number of States Taxing Service Including Michigan (1)
<u>New services subject to tax</u>		<u>Listing of Other States Taxing Service</u>		
Landscaping services		AR, AZ, CT, DE, DC, HI, IA, IN, KS, MN, MS, NM, NY, OH, PA, SD, TX, WA, WV, WI		21
Taxi services		AZ, GA, HI, NM, OH, SD, WA, WY		9
Courier services (2)		AZ, DE, DC, HI, NM, WA		7
Warehouse and storage (3)		AR, AZ, CT, DE, DC, FL, HI, IA, LA, MN, MS, NJ, NM, NY, OH, OK, SD, TN, TX, WA, WV, WI		10-20
Mini-warehouse and self storage		AR, AZ, CT, DE, FL, HI, IA, NM, NY, OH, SD, WA, WV (PA taxes self-storage also)		14
Investment advice		DE, HI, IA, NM, SD, WA		7
Personal care except hair care		DE, HI, IA, NM, OH, SD, WA		8
Carpet and upholstery cleaning		AR, CT, DE, HI, IA, LA, MN, NE, NM, NY, OH, PA, SD, TN, TX, WA, WV, WI		19
Dating services		CT, DE, HI, IA, NM, SD, WA, WV		9
Gift and package wrapping service		CA, DE, DC, FL, GA, HI, IA, KS, LA, NE, NM, OH, PA, SD, TN, UT, VA, WA, WV, WI, WY		22
Health clubs, tanning parlor, reducing salons		AR, CT, DE, HI, IA, ID, KS, MN, MO, NE, NM, OH, OK, SC, SD, TN, TX, UT, WA, WV, WI		22
Massage services		CT, DE, HI, IA, MN, NM, OH, SD, TX, WA		11
Armored car services		AR, CT, DE, HI, IA, MD, MN, NE, NM, NY, OH, SD, TX, WA, WV		16
Bail bond services		DE, HI, WA, WV		5
Interior design and decorating		AL, DE, HI, IA, NM, NY, SD, WA, WV		10
Janitorial services		AR, CT, DE, DC, FL, HI, IA, MD, MN, NE, NJ, NM, NY, OH, PA, SD, TX, WA, WV		20
Private investigation services		CT, DE, FL, HI, IA, MD, MN, NE, NM, NY, OH, SD, TX, WA		15
Management consulting		CT, DE, HI, NM, SD, WA, WV		8
Court reporting (document preparation) services		CT, DE, HI, NM, PA, SD, WA, WV		9
Security services		AR, CT, DE, FL, HI, IA, MD, MN, NE, NM, NY, OH, SD, TX, WA, WV		17
Limousine service		AZ, DE, DC, GA, HI, IA, NM, OH, OK, SD, VA, WA, WV, WI		15
Service contracts (4)		AR, CA, CO, CT, DE, DC, FL, HI, IA, ID, IL, KS, LA, MS, NE, NJ, NM, NY, OH, PA, SC, SD, TN, TX, UT, VA, WA, WV, WI, WY		31
<u>Notes:</u>				
1. Based on 2004 Sales Taxation of Services Survey by Federation of Tax Administrators.				
2. Two types of courier services listed in survey.				
3. Five types of storage services are listed in the survey and the number of other states taxing these services varies by type from 10 to 20. The states listed tax at least one type of storage service.				
4. CA and ID exempt contract if the sale of the contract is optional.				
Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury				
Filename:	M:\orta\Taxes\Sales\{Services_NewLawFTAComparison.xls}States			
Updated:	10/9/07		12:12 PM	
Printed:	10/9/07		12:12 PM	





## Frequently Asked Questions

### Sales

[Open all answers](#) | [Return to FAQs Selection](#)

#### 11. What services are subject to the sales tax?

- Rental of hotel rooms or similar sleeping accommodations for less than 30 days by establishments with 5 or more sleeping rooms.
- Provision of landscaping or lawn care service, if annual sales of this service equal or exceed \$5,000.
- Provision of private investigation or security service.
- Provision of information service through use of a nine-hundred telephone call (1-900).
- Production of tangible personal property from material supplied by the customer. For example, a tailor using fabric furnished by the customer.
- Building maintenance and janitorial service, if annual sales of this service equal or exceed \$5,000.
- Exterminating service.
- Employment service.
- Employment placement service.
- Physical fitness facility service.
- Recreation and sports club service.
- Repair of tangible personal property (except repair of property which is exempt from sales tax).
- Installation of tangible personal property (except installation of property which is exempt from sales tax).
- Washing (except coin-operated), cleaning, waxing, polishing, or painting of motor vehicles.
- Towing service for motor vehicles, this includes the conveyance of a wrecked, disabled, or illegally parked motor vehicle.
- Laundry and dry cleaning service, excluding sales made through coin operated machines.
- Automatic data processing, computer services, or electronic information services provided for use in a business. Electronic information services include, but are not limited to, Internet access charges and e-mail service charges for use in a business.
- Certain telecommunication services.
- Satellite broadcasting service.
- Personal care service, including skin care, application of cosmetics, manicures, pedicures, hair removal, tattoos, body piercing, tanning, massage and other similar services. It does not include hair care: cutting, coloring, and styling.
- Transportation of persons, within Ohio, except by public transit systems or commercial airlines.
- Snow removal service, if annual sales of this service equal or exceed \$5,000.
- Storage of tangible personal property (except such property that the consumer of the storage holds for sale in the regular course of business).

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(To Print: use your browser's print function)

Release Date: February 22, 2002  
Last Update: October 26, 2007

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## Overview of Use Tax for Sellers of Services

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### What Is Use Tax?

In Michigan, certain goods are subject to the 6% sales tax while certain services are subject to a 6% use tax that is imposed on the purchaser or consumer of services for the privilege of using that service in this State. A simultaneous obligation is imposed on the seller of the service to collect the 6% use tax from the purchaser and remit it to the State of Michigan. The purchaser/consumer is not relieved of responsibility for the tax until it has been paid to the State.

In some situations, a seller located outside Michigan may be excused by federal law from collecting Michigan's 6% use tax, but that does not relieve the Michigan purchaser/consumer of their tax obligation. These situations often involve sales of services made or delivered over the Internet or by phone and catalog.

### Are All Transactions Subject to Use Tax?

Michigan's 6% use tax is applied to the purchase/sales price of a transaction in which taxable services are acquired. In some instances taxable and exempt property and/or services are combined into a single mixed transaction. When that situation occurs, the predominate nature of the transaction must be determined. The transaction will be either fully taxable or fully exempt: an all or nothing tax result.

For some services, certain uses are exempt from the tax. Exemptions also exist for some purchasers, such as certain governmental units and certain schools. When Michigan sales tax, or another state's sales or use tax has been paid a full credit for the amount paid is applied to reduce the Michigan use tax obligation.

### Where Is Use Tax Due?

Use tax is due in Michigan if the service is received by the purchaser in Michigan. For services, "received" generally means where the purchaser makes first use of the service. However when tax is not paid in another state, a purchaser may have a Michigan use tax obligation even when first use of the service occurs outside Michigan but a subsequent use of the service occurs in Michigan.

### What Services Are Subject To Use Tax?

Most telecommunications, hotel/motel type accommodations, and industrial laundry services have been subject to Michigan use tax for many years. These services continue to be subject to the tax.

Beginning December 1, 2007 an expanded list of services will become subject to Michigan use tax. For more details, please visit the [Explanation of Services](#) page.

### What Must a Seller Do?

- A seller must **register** for use tax with the Department of Treasury. [On-line registration](#) is available. If you are already registered for sales or withholding taxes you only need to complete and submit a [Notice of Change or Discontinuance form \(Form 163\)](#) to add use tax to your registration.
- A seller must **collect** Michigan 6% use tax from Michigan purchaser/consumers calculated on the selling price of taxable services.

- A seller must **remit** Michigan 6% use tax collected to the State of Michigan. Blank forms are available on our Web site. Once you are registered you will receive pre-identified returns. To avoid delays in properly crediting your account you should complete and submit the pre-identified returns with payment of the tax collected. New tax calculation worksheets with an added service line for December 2007 (or the 4th quarter for quarterly filers) will be mailed to accounts currently registered with the Department of Treasury.

### **What Must a Purchaser/Consumer Do?**

Michigan's use tax law requires a seller to separately itemize the tax on invoices. A purchaser should review invoices for purchases of taxable services purchases to determine if use tax was charged by the seller. If Michigan use tax was not charged by the seller, a purchaser/consumer must remit 6% use tax directly to the Department.

Business purchaser/consumers must report and remit Michigan use tax by completing the use tax on purchases portion of the combined sales, use and withholding taxes worksheet and transferring the result to the combined sales, use and withholding taxes return (Form 160). Form 160 is then submitted in the normal fashion with payment of the combined liability.

Individuals can report and remit their use tax obligation on their Michigan personal income tax return (Form MI 1040). The return includes instructions to calculate the use tax due and a line to report it on the form.

### **Questions?**

Answers to many questions may be found on the Services added to Use Tax Frequently Asked Questions page. The site will be updated continually with new FAQs and other material. You may also contact the Department concerning the status of your business account at <http://www.michigan.gov/bustax> or by telephoning (517)636-4730.

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Last Update: October 23, 2007

### Explanation of Services Taxed

2007 PA 93 added Section 3d (MCL 205.93d) to the Use Tax Act, providing that the use or consumption of certain services will be subject to use tax beginning December 1, 2007. Most of the categories of those services are defined by reference to the North American Industry Classification System ("NAICS") Code (2002 edition), produced by the United States Office of Management and Budget. The 2002 NAICS Code can be accessed online at [www.census.gov/epcd/naics02](http://www.census.gov/epcd/naics02). While the NAICS classifies businesses, the Use Tax Act specifically provides that a service transaction is subject to use tax based on the description of that service in the applicable NAICS Code and not on the classification of the establishment providing that service. This comports with the transactional nature of the use tax.

The list of service transactions included in a particular category of services is not necessarily all-inclusive.

The list of service transactions excluded from a particular category of services is not necessarily all-inclusive; a service excluded from one category may be included in another category and be subject to use tax.

-- Select a Category --



Business Service Center Services <span style="float: right;">MCL 205.94d(1)(b), NAICS 56143</span>	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- mailbox rental and other postal and mailing services (except direct mail advertising)</li> <li>- photocopying, duplicating, blueprinting, and other document copying services without also providing printing services (i.e., offset printing, quick printing, digital printing, prepress services), generally known as copy centers or shops</li> <li>- office support services (except printing services), such as mailing services, document copying services, facsimile services, word processing services, on-site PC rental services, and office product sales</li> </ul>	<ul style="list-style-type: none"> <li>- operating contract post offices—see <u>NAICS 491110</u>, Postal Service</li> <li>- delivering letters and parcels—see <u>NAICS 492</u>, Couriers and Messengers (<i>this service is included in Courier and Messenger Services as a taxable service</i>)</li> <li>- voice mailbox services—see <u>NAICS 56142</u>, Telephone Call Center</li> <li>- direct mail advertising services—see <u>NAICS 541860</u>, Direct Mail Advertising</li> <li>- document copying services in combination with printing services, with or without a range of other office support services, and establishments known as quick or digital printers—see <u>NAICS 323110</u>, Printing</li> </ul>

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Carpet and Upholstery Cleaning Services <span style="float: right;">MCL 205.93d(1)(a), NAICS 56174</span>	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- cleaning and dyeing used rugs, carpets, and upholstery</li> </ul>	<ul style="list-style-type: none"> <li>- rug repair not associated with rug cleaning—see <u>NAICS 811490</u>, Other Personal and Household Goods Repair and Maintenance</li> <li>- reupholstering and repairing furniture—see <u>NAICS 811420</u>, Reupholstery and Furniture Repair</li> </ul>

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Consulting Services <span style="float: right;">MCL 205.93d(1)(c), NAICS 5416</span>	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- providing advice and assistance to businesses and other organizations on management issues, such as:               <ul style="list-style-type: none"> <li>- strategic and organizational planning</li> <li>- financial planning</li> <li>- budgeting</li> <li>- marketing objectives and policies</li> <li>- human resource policies, practices and planning</li> <li>- production scheduling</li> <li>- control planning</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- a range of day-to-day office administrative services, such as financial planning, billing and recordkeeping, personnel, and physical distribution and logistics—see <u>NAICS 561110</u>, Office Administrative Services (<i>this service is included in Office Administrative Services as a taxable service</i>)</li> <li>- administering, overseeing, and managing other establishments of the company or enterprise (except government establishments)—see <u>NAICS 55111</u>, Management of Companies and Enterprises</li> <li>- (government establishments) administering, overseeing, and managing governmental programs—see <u>NAICS 92</u>, Public Administration</li> <li>- professional and management development training—see <u>NAICS 611430</u>, Professional and Management Development Training</li> <li>- listing employment vacancies and selecting, referring, and placing applicants in employment—see <u>NAICS 561310</u>, Employment Placement Agencies</li> <li>- developing and implementing public relations plans—see <u>NAICS 541820</u>, Public Relations Agencies</li> <li>- developing and conducting marketing research or public opinion—see <u>NAICS 541910</u>, Marketing Research and Public Opinion Polling</li> <li>- planning and designing industrial processes and systems—see <u>NAICS 541330</u>, Engineering Services</li> <li>- planning and designing computer systems—see <u>NAICS 54151</u>, Computer Systems Design and Related Services</li> <li>- financial investment advice services—see <u>NAICS 523930</u>, Investment Advice (<i>this service is included in Investment Advice Services as a taxable service</i>)</li> </ul>

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Courier and Messenger Services <span style="float: right;">MCL 205.93d(1)(r), NAICS 492</span>	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- delivery of letters, documents or parcels (These articles can be described as those that may be handled by one person without using special equipment. This allows the collection, pick-up, and delivery operations to be done with limited labor costs and minimal equipment. Sorting and transportation activities, where necessary, are generally mechanized. The restriction to small items partly distinguishes these establishments from those in the transportation industries. This</li> </ul>	<ul style="list-style-type: none"> <li>- truck transportation of palletized general freight—see <u>NAICS 4841</u>, General Freight Trucking</li> <li>- operating the U.S. Postal Service or providing postal services on a contract basis (except the bulk transportation of mail)—see <u>NAICS 491110</u>, Postal Service</li> <li>- bulk transportation of mail on a contract basis to and from Postal Service establishments—see <u>NAICS 4841</u>, General Freight Trucking</li> </ul>

includes local pick-up and delivery done under contract with those providing the transportation of the items. Messengers, which usually deliver within a metropolitan or single urban area, may use bicycle, foot, small truck, or van.) Examples are:

- alcoholic beverages delivery
- grocery delivery (independent from grocery store)
- letter, document, or small parcel delivery service
- restaurant meals delivery service (independent from restaurant)

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<b>Design Services (Specialized)</b>		MCL 205.93d(1)(p), NAICS 5414	
<b>INCLUDES <sup>1</sup></b>		<b>EXCLUDES <sup>2</sup></b>	
<b>Transactions consisting primarily of:</b>		<b>Transactions consisting primarily of:</b>	
<ul style="list-style-type: none"> <li>- interior design (planning, designing, and administering projects in interior spaces to meet the physical and aesthetic needs of people using them, taking into consideration building codes, health and safety regulations, traffic patterns and floor planning, mechanical and electrical needs, and interior fittings and furniture. These include interior designer and interior design consultant work in areas such as hospitality design, health care design, institutional design, commercial and corporate design, and residential design, as well as interior decorating consultant provision of aesthetic services associated with interior spaces)</li> <li>- industrial design (creating and developing designs and specifications that optimize the use, value, and appearance of products, which may include the determination of the materials, construction, mechanisms, shape, color, or surface finishes of the product, taking into consideration human characteristics and needs, safety, market appeal, and efficiency in production, distribution, use and maintenance, including the provision of automobile or furniture industrial design)</li> <li>- graphic design (planning, designing, and managing the production of visual communication to convey specific messages or concepts, clarify complex information, or project visual identities, including the design of printed materials, packaging, advertising, signage systems and corporate identification (logos), and including commercial artist generation of drawings and illustrations requiring technical accuracy or interpretative skills)</li> <li>- other specialized professional design services, such as costume design, fashion design, float design, fur design, jewelry design, shoe design</li> </ul>		<ul style="list-style-type: none"> <li>- applying physical laws and principles of engineering in the design, development and utilization of machines, material, instruments, structures, processes and systems—see <u>NAICS 541330, Engineering Services</u></li> <li>- creating and/or placing public display advertising material—see <u>NAICS 541850, Display Advertising</u></li> <li>- work by independent artists of visual artwork for noncommercial use, work by independent cartoonists, and work by independent theatrical designers—see <u>NAICS 711510, Independent Artists, Writers and Performers</u></li> <li>- architectural design—see <u>NAICS 541310, Architectural Services</u></li> <li>- landscape architecture design—see <u>NAICS 541320, Landscape Architectural Services</u></li> <li>- computer systems design—see <u>NAICS 541512, computer Systems Design Services</u></li> </ul>	

and textile design	
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<b>Document Preparation Services</b>	MCL 205.93d(1)(v), NAICS 56141
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<b>INCLUDES<sup>1</sup></b> <b>Transactions consisting primarily of:</b>	<b>EXCLUDES<sup>2</sup></b> <b>Transactions consisting primarily of:</b>
<ul style="list-style-type: none"> <li>- letter or resume writing</li> <li>- document editing or proofreading</li> <li>- typing, word processing, or desktop publishing</li> <li>- stenographic (except court reporting or stenotype recording), transcription, and other secretarial services</li> </ul>	<ul style="list-style-type: none"> <li>- verbatim reporting and stenotype recording of live legal proceedings and transcribing subsequent recorded materials—see <u>NAICS 561492</u>, Court Reporting and Stenotype Services</li> <li>- prepress and postpress services in support of printing activities—see <u>NAICS 32312</u>, Support Activities for Printing</li> <li>- document translation services—see <u>NAICS 541930</u>, Translation and Interpretation Services</li> <li>- photocopying, duplicating, and other document copying services, with or without a range of other office support services (except printing)—see <u>NAICS 561439</u>, Other Business Service Centers (including Copy Shops) (<i>this service is included in Business Service Center Services as a taxable service</i>)</li> <li>- document copying services in combination with printing services, with or without a range of other office support services—see <u>NAICS 323110</u>, Commercial Lithographic Printing</li> </ul>

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<b>Investigation, Guard, and Armored Car Services</b>	MCL 205.94d(1)(d), NAICS 56161
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<b>INCLUDES<sup>1</sup></b> <b>Transactions consisting primarily of:</b>	<b>EXCLUDES<sup>2</sup></b> <b>Transactions consisting primarily of:</b>
<ul style="list-style-type: none"> <li>- investigation and detective services</li> <li>- guard and patrol services</li> <li>- picking up and delivering money, receipts or other valuable items with personnel and equipment to protect such property while in transit</li> </ul>	<ul style="list-style-type: none"> <li>- credit checks—see <u>NAICS 561450</u>, Credit Bureaus</li> </ul>

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<b>Investment Advice Services</b>	MCL 205.93d(1)(e), NAICS 52393
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<b>INCLUDES<sup>1</sup></b> <b>Transactions consisting primarily of:</b>	<b>EXCLUDES<sup>2</sup></b> <b>Transactions consisting primarily of:</b>
<ul style="list-style-type: none"> <li>- customized investment advice to clients on a fee basis</li> <li>- financial planning advice and investment counseling to meet the goals and needs of specific clients, but not including the execution of trades</li> </ul>	<ul style="list-style-type: none"> <li>- investment advice in conjunction with a primary activity, such as portfolio management, or the purchase or sale of stocks, bonds, annuities, and real estate</li> <li>- publishers providing generalized investment information to subscribers—see <u>NAICS 511</u>, Publishing Industries (except Internet) or <u>NAICS 516</u>, Internet Publishing and Broadcasting</li> </ul>

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<b>Janitorial Services</b>	MCL 205.93d(1)(f), NAICS 56172
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<b>INCLUDES<sup>1</sup></b>	<b>EXCLUDES<sup>2</sup></b>

Transactions consisting primarily of:	Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- cleaning building interiors</li> <li>- cleaning interiors of transportation equipment (e.g., aircraft, rail cars, ships)</li> <li>- cleaning windows</li> </ul>	<ul style="list-style-type: none"> <li>- cleaning building exteriors (except sandblasting and window cleaning) or chimneys—see <u>NAICS 561790</u>, Other Services to Buildings and Dwellings</li> <li>- sandblasting building exteriors—see <u>NAICS 238990</u>, All Other Specialty Trade Contractors</li> </ul>

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<b>Landscaping Services</b>	MCL 205.93d(1)(g), NAICS 56173
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<b>INCLUDES<sup>1</sup></b> Transactions consisting primarily of:	<b>EXCLUDES<sup>2</sup></b> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- landscape care and maintenance services and/or installing trees, shrubs, plants, lawns, or gardens</li> <li>- the services described above, along with the design of landscape plans and/or the construction (i.e., installation) of walkways, retaining walls, decks, fences, ponds, and similar structures</li> </ul>	<ul style="list-style-type: none"> <li>- installing artificial turf or constructing (i.e., installing) walkways, retaining walls, decks, fences, ponds, or similar structures—see <u>NAICS 23</u>, Construction</li> <li>- planning and designing the development of land areas for projects such as: parks and other recreational areas: airports: highways: hospitals: schools: land subdivisions: and commercial, industrial, and residential areas (without also installing trees, shrubs, plants, lawns/gardens, walkways, retaining walls, decks, and similar items or structures)—see <u>NAICS 541320</u>, Landscape Architectural Services</li> <li>- retailing landscaping materials and providing the installation and maintenance of these materials—see <u>NAICS 444220</u>, Nursery, Garden Center, and Farm Supply Stores</li> </ul>

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<b>Miniwarehouse and Self-Storage Unit Services</b>	MCL 205.93d(1)(w), NAICS 53113
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<b>INCLUDES<sup>1</sup></b> Transactions consisting primarily of:	<b>EXCLUDES<sup>2</sup></b> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- renting or leasing space for self-storage, i.e., secure space (rooms, compartments, lockers, containers, or outdoor space) where clients can store and retrieve their goods</li> </ul>	<ul style="list-style-type: none"> <li>- public and contract general merchandise warehousing and storage facilities—see <u>NAICS 493110</u>, General Warehousing and Storage (<i>this service is included in Warehousing and Storage Services as a taxable service</i>)</li> <li>- coin-operated lockers—see <u>NAICS 812990</u>, All Other Personal Services (<i>this service is included in Personal Services as a taxable service</i>)</li> </ul>

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<b>Office Administrative Services</b>	MCL 205.93d(1)(h), NAICS 5611
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<b>INCLUDES<sup>1</sup></b> Transactions consisting primarily of:	<b>EXCLUDES<sup>2</sup></b> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- day-to-day office administrative services, such as financial planning, billing and recordkeeping, personnel, and physical distribution and logistics for others on a contract or fee basis</li> </ul>	<ul style="list-style-type: none"> <li>- holding the securities or financial assets of companies and enterprises for the purpose of controlling them and influencing their management decisions—see <u>NAICS 551111</u>, Offices of Bank Holding Companies or <u>NAICS 551112</u>, Offices of Other Holding Companies</li> <li>- operating staff to carry out the complete</li> </ul>



	<p>operations of a business</p> <ul style="list-style-type: none"> <li>- administering, overseeing, and managing other establishments of the company or enterprise (except government establishments)--see <u>NAICS 551114</u>, Corporate, Subsidiary, and Regional Managing Offices</li> <li>- (government establishments) administering, overseeing, and managing governmental programs--see <u>NAICS 92</u>, Public Administration</li> <li>- computer facilities management--see <u>NAICS 541513</u>, Computer Facilities Management Services</li> <li>- construction management--see <u>NAICS 23</u>, Construction, by type of construction project managed</li> <li>- farm management--see <u>NAICS 115116</u>, Farm Management Services</li> <li>- managing real property for others--see <u>NAICS 53131</u>, Real Estate Property Managers</li> <li>- food services management at institutional, governmental, commercial, or industrial locations--see <u>NAICS 722310</u>, Food Service Contractors</li> <li>- management advice without day-to-day management--see <u>NAICS 54161</u>, Management Consulting Services (<i>this service is included in Consulting Services as a taxable service</i>)</li> <li>- managing and operating staff for the complete operation of a client's business, such as a hotel, restaurant, mine site, or hospital,-- classified according to the industry of the establishment operated</li> <li>- providing only one of the support services (e.g., accounting services) that establishments in this industry provide, which are classified in the appropriate industry according to the service provided</li> </ul>
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Packaging and Labeling Services		MCL 205.93d(1)(o), NAICS 56191	
<b>INCLUDES<sup>1</sup></b>		<b>EXCLUDES<sup>2</sup></b>	
<b>Transactions consisting primarily of:</b>		<b>Transactions consisting primarily of:</b>	
<ul style="list-style-type: none"> <li>- packaging of client-owned materials which may include labeling and/or imprinting a package</li> </ul>		<ul style="list-style-type: none"> <li>- processing client-owned materials into a different product, such as mixing water and concentrate to produce soft drinks--see <u>NAICS 31-33</u>, Manufacturing</li> <li>- providing aerosol packaging services--see <u>NAICS 325998</u>, All Other Miscellaneous Chemical Product and Preparation Manufacturing</li> <li>- providing packing and crating services incidental to transportation--see <u>NAICS 488991</u>, Packing and Crating</li> <li>- providing warehousing services, as well as</li> </ul>	

packaging or other logistics services—see NAICS 4931, Warehousing and Storage (*this service is included in Warehousing and Storage Services as a taxable service*)

- providing packing and crating services for agricultural products—see NAICS 115114, Postharvest Crop Activities

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Personal Care Services (except hair care) MCL 205.93d(1)(s), NAICS 8121	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- appearance care services to individual consumers. Examples are:               <ul style="list-style-type: none"> <li>- nail care services (manicures, pedicures and nail extensions)</li> <li>- facials</li> <li>- application of make-up</li> <li>- hair removal (depilatory or electrolysis)</li> <li>- ear or body piercing</li> <li>- hair replacement (except by offices of physicians) or weaving</li> <li>- massage</li> <li>- non medical services to assist clients in attaining or maintaining a desired weight</li> <li>- tattooing and permanent make-up application</li> <li>- steam or Turkish baths</li> <li>- tanning</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- hair care (cutting, trimming, styling, shampooing, coloring or waving)</li> <li>- training in hair styling or the cosmetic arts—see <u>NAICS 611511, Cosmetology and Barber Schools</u></li> <li>- medical skin care services—see <u>NAICS 62, Health Care and Social Assistance</u></li> <li>- physical fitness facilities—see <u>NAICS 71394, Fitness and Recreational Sports Centers</u></li> <li>- lodging at a facility that offers a spa or health resort—see <u>NAICS 721110, Hotels (except Casino Hotels) and Motels, or</u></li> <li>- medical or surgical weight reduction—see <u>NAICS 62, Health Care and Social Assistance</u></li> </ul>

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Personal Services MCL 205.93d(1)(i)	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- astrology</li> <li>- baby shoe bronzing</li> <li>- bail bonding</li> <li>- balloon-o-grams</li> <li>- coin-operated blood pressure testing machine services</li> <li>- bondsperson services</li> <li>- check room services</li> <li>- coin-operated personal service machine services</li> <li>- comfort station services</li> <li>- consumer buying services</li> <li>- credit card notification services</li> <li>- dating services</li> <li>- discount buying services</li> <li>- social escort services</li> <li>- fortune-telling</li> <li>- genealogical investigation</li> </ul>	<ul style="list-style-type: none"> <li>- personal care—see <u>NAICS 8121, Personal Care Services</u> (<i>this service is included in Personal Care Services as a taxable service</i>)</li> <li>- death care— see <u>NAICS 8122, Death Care Services</u></li> <li>- drycleaning and laundry—see <u>NAICS 8123, Drycleaning and Laundry Services</u></li> <li>- pet care (except veterinary services)—see <u>NAICS 812910, Pet Care (except Veterinary) Services</u></li> <li>- veterinary services—see <u>NAICS 541940, Veterinary Services</u></li> <li>- photofinishing—see <u>NAICS 81292, Photofinishing</u></li> <li>- parking/valet services—see <u>NAICS 812930, Parking Lots and Garages</u></li> <li>- Intra-state telephone service by coin-operated installation—see <u>MCL 205.93a(1)(a)</u></li> </ul>

<ul style="list-style-type: none"> <li>- house-sitting</li> <li>- social introduction services</li> <li>- coin-operated rental locker services</li> <li>- numerology</li> <li>- palm reading</li> <li>- pay telephone services; (not including intra-state telephone service by coin-operated installation)</li> <li>- personal fitness training</li> <li>- personal shopping</li> <li>- coin-operated photographic machine services</li> <li>- phrenology</li> <li>- porter services</li> <li>- psychic services</li> <li>- rest room operation services</li> <li>- shoeshines</li> <li>- singing telegrams</li> <li>- wedding chapel services (but not churches)</li> <li>- wedding planning services</li> </ul>	
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Security System Services MCL 205.93d(1)(u), NAICS 56162	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- installation, repair, or monitoring services provided in connection with the sale of security systems such as burglar and fire alarms and locking devices</li> <li>- remote monitoring of electronic security alarm systems</li> </ul>	<ul style="list-style-type: none"> <li>- selling security systems for buildings without installation, repair, or monitoring –see <u>NAICS 42, Wholesale Trade</u> or <u>NAICS 44-45, Retail Trade</u></li> <li>- selling motor vehicle security systems with or without installation or repair services–see <u>NAICS 441310, Automotive Parts and Accessories Stores</u></li> <li>- key duplication–see <u>NAICS 811490, Other Personal and Household Goods Repair and Maintenance</u></li> </ul>

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Service Contracts (optional) MCL 205.93d(1)(t)	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- optional service contracts where the seller, for the purchaser's single payment will provide repair, maintenance or replacement for tangible personal property during a specific period of time</li> </ul>	<ul style="list-style-type: none"> <li>- Service contracts that the purchaser is <b>required</b> to buy as a condition of purchasing tangible personal property</li> </ul>

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Skiing Services MCL 205.93d(1)(l), NAICS 71392	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- downhill, cross-country, or related skiing and/or use of equipment such as ski lifts and tows</li> </ul>	<ul style="list-style-type: none"> <li>- accommodations (where skiing facilities are available)–see <u>NAICS 7211, Traveler Accommodation</u></li> </ul>

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Tour Operator Services MCL 205.93d(1)(m), NAICS 56152	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- arranging and assembling tours</li> </ul>	<ul style="list-style-type: none"> <li>- acting as an agent in selling travel, tour, and accommodation services to the general public and commercial clients--see <u>NAICS 561510</u>, Travel Agencies</li> <li>- conducting scenic and sightseeing tours--see <u>NAICS 487</u>, Scenic and Sightseeing Transportation (<i>this service is included in Transportation Services as a taxable service</i>)</li> <li>- guide services, such as archeological, museum, tourist, hunting, or fishing,--see <u>NAICS 713990</u>, All Other Amusement and Recreation Industries</li> </ul>

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Transit and Ground Passenger Transport Services MCL 205.93d(1)(q), NAICS 4853	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- providing passenger transportation by automobile or van, not operated over regular routes and on regular schedules</li> </ul>	<ul style="list-style-type: none"> <li>- special needs transportation services (except to and from school or work) for the infirm, elderly, or handicapped--see <u>NAICS 485991</u>, Special needs Transportation</li> <li>- scheduled shuttle services between hotels, airports, or other destination points--see <u>NAICS 485999</u>, All Other Transit and Ground Passenger Transportation</li> </ul>

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Transportation Services (Scenic) MCL 205.93d(1)(k), NAICS 487	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- utilizing transportation equipment to provide recreation and entertainment (These transactions are distinct from passenger transportation carried out for the purpose of other types of for-hire transportation. These transactions do not emphasize efficient transportation; in fact, such activities often use obsolete vehicles such as steam trains to provide extra ambience. These transactions are typically local in nature, usually involving a same-day return to the point of departure.) Examples are:             <ul style="list-style-type: none"> <li>- sightseeing busses</li> <li>- horse-drawn sightseeing rides</li> <li>- airboat (swamp-buggy) rides</li> <li>- charter fishing boat services</li> <li>- dinner cruises</li> <li>- excursion boat rides</li> <li>- harbor sightseeing tours</li> <li>- glider excursions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- activities that are recreational in nature and involve participation by the customer, such as white-water rafting, unless they impose an impact on part of the transportation system</li> <li>- intercity and rural bus transportation--see <u>NAICS 485210</u>, Interurban and Rural Bus Transportation</li> <li>- local and suburban passenger transit systems--see <u>NAICS 48511</u>, Urban Transit Systems</li> <li>- water taxi service--see <u>NAICS 48321</u>, Inland Water Transportation</li> <li>- boat rental without operator--see <u>NAICS 532292</u>, Recreational Goods Rental</li> </ul>

<ul style="list-style-type: none"> <li>- helicopter rides</li> <li>- hot air balloon rides</li> </ul>	
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Travel and Reservation Services (Certain) MCL 205.54d(1)(j), NAICS 56159	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- travel arrangement and reservation services</li> </ul>	<ul style="list-style-type: none"> <li>- arranging the rental of vacation properties—see <u>NAICS 531210</u>, Offices of Real Estate Agents and Brokers</li> <li>- travel agency services—see <u>NAICS 561510</u>, Travel Agencies</li> <li>- tour operators services—see <u>NAICS 561520</u>, Tour Operators (<i>this service is included in <u>Tour Operator Services</u> as a taxable service</i>)</li> <li>- automobile club services (except road and travel services)—see <u>NAICS 813410</u>, Civic and Social Organizations</li> <li>- organizing, promoting, and/or managing events, such as business and trade shows, conventions, conferences, and meetings (whether or not staff is provided/managed to operate the facilities in which these events take place)—see <u>NAICS 561920</u>, Convention and Trade Show Organizers</li> </ul>

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Warehousing and Storage Services MCL 205.93d(1)(n), NAICS 4931	
INCLUDES <sup>1</sup> Transactions consisting primarily of:	EXCLUDES <sup>2</sup> Transactions consisting primarily of:
<ul style="list-style-type: none"> <li>- merchandise warehousing and usage of storage facilities, which generally involves goods in containers, such as boxes, barrels, and/or drums, and the use of equipment such as forklifts, pallets, and racks</li> </ul>	<ul style="list-style-type: none"> <li>- specialized handling of bulk products of any particular type, size, or quantity of goods or products</li> <li>- renting or leasing space for self storage—see <u>NAICS 531130</u>, Lessors of Miniwarehouses and Self-Storage Units (<i>this service is included in <u>Miniwarehouse and Self-Storage Unit Services</u> as a taxable service</i>)</li> <li>- selling in combination with handling and/or distributing goods to other wholesale or retail establishments—see <u>NAICS 42</u>, Wholesale Trade</li> </ul>

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["NAICS" is the North American Industry Classification System, 2002 edition, published by the Executive Office of the President, Office of Management and Budget. On-line access is at [www.census.gov/epcd/naics02](http://www.census.gov/epcd/naics02).]

<sup>1</sup> The list of service transactions included in a particular category of services is not necessarily all-inclusive.

<sup>2</sup> The list of service transactions excluded from a particular category of services is not necessarily all-inclusive; a service excluded from one category may be included in another category and be subject to use tax.